

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 PA-01 SP-02 SS-15 TRSE-00 OMB-01

ACDA-12 AID-05 COME-00 EB-08 FRB-03 XMB-02

OPIC-03 LAB-04 SIL-01 STR-07 CEA-01 DOTE-00 OES-09

HUD-01 IO-13 HA-05 DLOS-09 MCE-00 NSCE-00 SSO-00

ICAE-00 INRE-00 /136 W

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TO SECSTATE WASHDC IMMEDIATE 1781

C O N F I D E N T I A L LA PAZ 5819

E.O. 11652: GDS

TAGS: PINT, BL

SUBJECT: THE US STANCE VIS-A-VIS PEREDA'S GOVERNMENT

1. THE KEY DECISION FOR US IN COMING WEEKS WILL BE WHAT SUPPORT TO GIVE PEREDA'S MILITARY GOVERNMENT. THE IMPORTANT VARIABLE IS THE QUESTION OF WHETHER OR NOT PEREDA CAN BE PRESSED INTO CALLING NEW ELECTIONS IN THE NEXT YEAR TO 18 MONTHS. THERE IS A POSSIBILITY THAT HE CAN, ALTHOUGH IT IS MAYBE A ONE-IN-FOUR CHANCE AT BEST.

2. PEREDA IS IN A WEAK POSITION. AS A GENERAL IN POWER BY A COUP, HE IS BUCKING A TREND OF ANTIMILITARY FEELING IN THE COUNTRY. BY ELECTION RIGGING AND A COUP HE HAS DRAGGED BOLIVIA'S NEWLY WON PRESTIGE THROUGH THE MUD. BY ABATING REBELLION IN THE MILITARY, HE HAS OFFENDED SOME IMPORTANT OFFICERS IN THE INSTITUTION WHICH HAVE HIM POWER. NONE OF THE CIVILIAN POLITICAL PARTIES, WHO GAINED AT LEAST 50 PERCENT OF THE VOTES IN JULY 9 ELECTIONS, WILL COLLABORATE WITH PEREDA. THE ECONOMY IS HEADING DOWN, CAPITAL FLIGHT AND INFLATION UP, AND PEREDA HAS AGGRAVED SOME OF BOLIVIA'S MAIN SOURCES OF INVESTMENT CAPITAL, THE US IN PARTICULAR.

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MANY BOLIVIANS ARE SAYING A PEREDA GOVERNMENT WILL NOT LAST.

3. YET, THE THREAT TO PEREDA IS PROBABLY NOT IMMEDIATE. STUNG BY THEIR CLOSE SCRAPE WITH THE APOCALYPSE OF SOLDIERS SHOOTING SOLDIERS, THE MILITARY WILL STAY QUIET FOR NOW AND LICK ITS WOUNDS. FEARING COMPLETE SUPPRESSION OF ITS RIGHTS, THE POLITICAL PARTIES WILL NOT WANT TO PROVOKE PEREDA NOW.

KNOWING WHAT A WEAK HAND HE HAS, PEREDA MAY PLAY IT VERY CAUTIOUSLY AT FIRST.

4. THE INFLUENCE OF THE US--ALWAYS A BIG FACTOR IN BOLIVIA--IS PARTICULARLY CRITICAL NOW. EVERYONE IS LOOKING TO SEE WHETHER THE US CAN LIVE WITH PEREDA. A CUT-OFF OF US AID WOULD BE CONSIDERED A SERIOUS BLOW TO PEREDA'S CHANCES. BUSINESS AS USUAL BETWEEN THE US AND PEREDA'S BOLIVIA WOULD BE A SIGNIFICANT BOOST TO HIS SURVIVAL PROSPECTS.

5. AS BEST WE CAN TELL, PEREDA HAS NOT YET MADE UP HIS MIND ON NEW ELECTIONS. HIS CLOSEST MILITARY COHORTS, IN PARTICULAR THE NEW INTERIOR MINISTER, COLONEL RICO TORO, ARE ADVISING HIM NOT TO HAVE PRESIDENTIAL AND CONGRESSIONAL ELECTIONS FOR AT LEAST FOUR YEARS. PEREDA'S TWO CLOSEST CIVILIAN ADVISERS ARE SPLIT, JAVIER ARCE FAVORING ELECTIONS WITH ONE YEAR AND EDWIN TAPIA LOOKING FOR CONGRESSIONAL ELECTIONS IN TWO YEARS, JUST TO PLEASE THE US, AND PRESIDENTIAL ELECTIONS LATER.

5. IN THESE CIRCUMSTANCES, I THINK WE SHOULD DO ALL WE CAN TO MAKE NEW ELECTIONS AN ISSUE. OUR STATEMENTS ON AID AND ALL SHOULD STRESS THAT WE ARE AWAITING THE NEW GOVERNMENT'S POSITION ON NEW ELECTIONS IN THE NEAR FUTURE, WHICH BOTH PEREDA HIMSELF, JULY 19, AND THE ELECTORAL COURT CALLED FOR. (PEREDA NO LONGER BELIEVES HIS JULY 19 STATEMENT, BUT WE SHOULD NOT LET HIM FORGET IT.) WE MAY WELL NOT GET A CLEAR

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POSITION FROM PEREDA FOR SOME TIME.

6. MEANWHILE WE HAVE PENDING THE FOLLOWING FY 78 CREDITS TO DECIDE UPON VERY QUICKLY,

AID LOAN FOR VILLAGE DEVELOPMENT	\$15 MILLION
AID LOAN FOR RURAL ROADS	\$13 MILLION
AID LOAN FOR RURAL HEALTH	\$10 MILLION
FMS CREDIT FOR HOSPITAL EQUIPMENT,ETC.	\$14 MILLION

IN ADDITION, WE HAD PLANNED TO SIGN A \$16 MILLION HOUSING INVESTMENT GUARANTEE FROM FY78 FUNDS, BUT IT DOES NOT NEED TO BE SIGNED BEFORE SEPTEMBER 30.

7. IF PEREDA HAS NOT TAKEN A REASONABLE PUBLIC POSITION ON NEW ELECTIONS WITHIN THE NEXT 10 DAYS, I DO NOT SEE HOW WE COULD SIGN THESE AGREEMENTS WITHOUT OURSELVES CONTRIBUTING TO THE DEMISE OF NEW ELECTION PROSPECTS.

8. IN THESE CIRCUMSTANCES, I BELIEVE AID AND THE DEPARTMENT SHOULD NOW DEVELOP PLANS FOR ALTERNATE USE OF THE FUNDS FOR THE THREE AID PROJECT LOANS AND THE FMS CREDIT. WE CAN HOPEFULLY

POSTPONE A FINAL DECISION FOR 10 DAYS, BUT AT THAT POINT WE SHOULD BE READY TO USE THE FUNDS ELSEWHERE IF NECESSARY. IDEALLY AUGUST IS THE LATEST WE CAN GO WITH DECISIONS ON REPROGRAMMING FY78 MONEY.

9. OUR OTHER MAJOR POINTS OF LEVERAGE, TIN AND OUR SUPPORT FOR SEA ACCESS NEGOTIATIONS, ARE ALSO QUITE POWERFUL. SO POWERFUL THAT IT MAY BE BEST NOT TO TRY TO SPECIFY HOW WE WOULD USE THEM. WE SHOULD INDICATE, HOWEVER, THAT WHILE NEITHER OF THESE ARE MATTERS TO BE MANAGED PRIMARILY IN LIGHT OF BOLIVIAN POLITICAL DEVELOPMENTS, AN INTERRUPTION OF THE DEMOCRATIZATION PROCESS COULD NOT HELP BUT INFLUENCE US ATTITUDES ON THE EXTENT TO WHICH EXCEPTIONAL TREATMENT IS WARRANTED FOR BOLIVIA.
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10. WHILE THIS AMOUNTS TO A FAIRLY HARD LINE FOR NOW, I THINK THIS IS WHAT IS NEEDED IN THE EARLY PEREDA DAYS WHILE THE QUESTION OF NEW ELECTIONS IS STILL OPEN. THE EXTENT OF OUR NECESSARY ACCOMMODATION TO A PEREDA GOVERNMENT CAN BE DECIDED SOMEWHAT LATER.

11. THERE IS, OF COURSE, SOME RISK IN TAKING A HARD LINE NOW. I DO NOT THINK IT IS A RISK OF MAKING IT HARDER FOR PEREDA TO SET NEW ELECTIONS. THE RISK IS DRIVING HIM TO A HIGHLY NATIONALIST, XENOPHOBIC POSITION, WITH INCREASED REPRESSION OF THE OPPOSITION. ON THE BASIS OF BOLIVIAN DEVELOPMENTS ALONE, IT MIGHT BE A CLOSE CALL WHETHER WE SHOULD NOW GO HARD OR SOFT. WHEN OUR BROADER INTEREST IN THE HEMISPHERE AND DEMOCRATIC DEVELOPMENT IS ADDED IN, HOWEVER, IT SEEMS TO ME THE BALANCE TIPS DECIDEDLY TOWARD A HARD LINE WITH PEREDA NOW, CONCENTRATING OUR LEVERAGE ON THE QUESTION OF NEW ELECTIONS. OVER THE LONGER TERM, A NONMILITARY, REPRESENTATIVE GOVERNMENT REMAINS THE BEST ASSURANCE OF SUSTAINING HUMAN RIGHTS PROGRESS AS WELL.
BOEKER

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